

EXHIBIT P



United States Department of State

Washington, D.C. 20520

The Honorable
James E. Risch, Chairman
Committee on Foreign Relations
United States Senate
Washington, DC 20510

FEB 13 2020

Dear Mr. Chairman:

Pursuant to sections 1004(e)(1) and 1006 of the Taylor Force Act (TFA) (Title X, Div. S, P.L. 115-141) and section 7041(m)(3) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2018 (Div. K, P.L. 115-141), please find enclosed a report on Payments by the Palestinian Authority for Acts of Terrorism.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Elizabeth Taylor", with a long horizontal stroke extending to the right.

Mary Elizabeth Taylor
Assistant Secretary
Bureau of Legislative Affairs

Enclosure:
As stated.

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**Report to Congress Regarding Palestinian Payments for Acts of Terrorism
Sections 1004(e)(1) and 1006 of the Taylor Force Act (Title X, Div. S, P.L. 115-141)
Section 7041(m)(3) of the Department of State, Foreign Operations, and
Related Programs Appropriations Act, 2018 (Div. K, P.L. 115-141) (FY 2018 SFOAA)**

Consistent with sections 1004(e)(1) and 1006 of the Taylor Force Act (Title X, Div. S, P.L. 115-141) (TFA), and section 7041(m)(3) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2018 (Div. K, P.L. 115-141) (FY 2018 SFOAA), and pursuant to Delegation of Authority 245-2 to the Deputy Secretary of State, this report addresses several issues relating to payments for acts of terrorism made by the Palestinian Authority (PA), the Palestine Liberation Organization (PLO), or any successor or affiliated organizations.

Section 1004(e)(1) of the TFA

Section 1004(e)(1) of the TFA provides that in the event the Secretary is unable to make the certification in section 1004(a) the Secretary is required to submit a report to Congress describing: (1) the reasons why he was unable to certify that the PA, the PLO, and any successor or affiliated organizations have met the requirements in section 1004(a)(1); (2) the definition of "acts of terrorism" used to make this assessment; and (3) the total amount of funds to be withheld.

The PA has not terminated payments for acts of terrorism against Israeli citizens and U.S. citizens to individuals who, after being fairly tried, have been imprisoned for such acts of terrorism or who died committing such acts of terrorism, including to a family member of such individuals. Moreover, the PA has not revoked any law, decree, regulation, or document authorizing or implementing the system of compensation for imprisoned individuals that uses the sentence or period of incarceration of individuals imprisoned for an act of terrorism to determine the level of compensation paid, nor has it taken comparable action that has the effect of invalidating any such law, decree, regulation, or document. Additionally, while President Abbas has rejected explicit calls for violence against Israel and continues to support peaceful negotiations, he and other Palestinian leaders have not always publicly condemned all terrorist attacks or spoken out against members of their institutions who call for or glorify violence.

Acts of Terrorism

In considering what constitute "acts of terrorism," the Department reviewed the individual cases of which we are aware that are relevant to the criteria specified in the TFA. Specific factors considered include the length of the sentence of imprisoned Palestinians receiving benefits and the circumstances of the deaths of individuals whose families receive benefits.

Total Amount of Funds to be Withheld

No amount of FY 2018 Economic Support Funds (ESF) was withheld under the TFA. At the request of the PA, the United States ceased providing any assistance in the West Bank and Gaza under the authorities specified in the Anti-Terrorism Clarification Act of 2018 (ATCA), to

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include ESF, as of January 31, 2019. As a result, no bilateral ESF funds were planned that directly benefited the PA and that would be subject to the TFA withholding.

Section 1006 of the TFA

Section 1006 of the TFA requires that the Secretary submit a report providing: (a) an estimate of the amount expended by the PA, PLO, and any successor or affiliated organization during the previous calendar year as payments for acts of terrorism by individuals who are imprisoned for such acts; (b) an estimate of the amount expended by the PA, PLO, and any successor or affiliated organization during the previous calendar year as payments to the families of deceased individuals who committed an act of terrorism; (c) an overview of Palestinian laws, decrees, regulations, or documents in effect the previous calendar year that authorize or implement any such payments; (d) a description of U.S. government policy, efforts, and engagement with the PA in order to confirm the revocation of any law, decree, regulation, or document in effect the previous calendar year that authorizes or implements any such payments; and (e) a description of U.S. government policy, efforts, and engagement with other governments, and at the United Nations, to highlight the issue of Palestinian payments for acts of terrorism and to urge other nations to join the United States in calling on the PA to immediately cease such payments.

Estimate of the Amount Expended by the PA, PLO, and any Successor or Affiliated Organization During Calendar Year 2017 as Payments for Acts of Terrorism by Individuals Who Are Imprisoned for Such Acts

In its published 2017 budget, the PA expressed its intention to expend approximately \$141 million in payments to convicted prisoners, administrative detainees, and former prisoners, as well as required payments to Israeli service providers for canteen services for Palestinian prisoners. PA officials claim that the majority of recipients of these funds were not involved in committing acts of terrorism, but due to the lack of information about individual recipients we are unable to verify these claims. The specific amount of these funds that was provided in relation to individuals who committed acts of terrorism remains uncertain.

Estimate of the Amount Expended by the PA, PLO, and any Successor or Affiliated Organization During Calendar Year 2017 as Payments to the Families of Deceased Individuals Who Committed an Act of Terrorism

In its published 2017 budget, the PA expressed its intention to expend approximately \$176.2 million in support of families of deceased Palestinians referred to as "martyrs" by the PA. PA officials claim that the majority of recipients of these funds were not involved in committing acts of terrorism, but due to the lack of information about individual recipients we are unable to verify these claims. The specific amount of these funds that was provided in relation to individuals who committed acts of terrorism remains uncertain.

Palestinian Laws, Decrees, Regulations, and Documents Authorizing Payments

The PA passed two laws in 2004 (No. 14 and No. 19) that regulate payments to "security prisoner[s]." According to Law No. 14, the PA has a duty to support these prisoners while they

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are incarcerated in Israeli jails by paying them the equivalent of their most recent monthly salaries prior to imprisonment. The law also provides for paying a monthly stipend to Palestinian prisoners who were unemployed at the time of their arrest. Per Law No. 19's provisions, the PA shall provide former "security prisoners" with educational and other benefits to facilitate their economic reintegration into Palestinian society. There are currently no laws that obligate the PA to compensate surviving families of "martyrs." The PLO, however, with the support of the PA, provides financial assistance to these families.

Summary of U.S. Efforts to Confirm the Revocation of Any Laws, Decrees, Regulations, and Documents Authorizing Payments

White House and Department of State officials met with PA officials to call for the PA leadership to amend or repeal current laws and practices that provide for compensating terrorism perpetrators and their survivors.

Summary of U.S. Efforts to Engage Other Governments to Highlight the Issue of Palestinian Payments and Urge Other Nations to Join the United States in Calling for an End to Such Payments

During the reporting period, White House and Department of State officials repeatedly encouraged foreign government officials and representatives of international organizations that routinely provide donor support and technical assistance to the PA to use their leverage to influence the PA into reforming these laws and practices; interlocutors included government officials from the UK, the Netherlands, Germany, France, Canada, Norway, and Australia, as well as representatives from the World Bank and the International Monetary Fund. In 2018, Australia ceased direct funding of the PA's budget, citing the PA's extension of payments to those convicted of politically motivated violence as a reason. On February 17, 2019, the Israeli Defense Cabinet pursuant to the "Freezing of Funds Paid by the PA in Connection with Terrorism from Revenues Transferred by the Israeli Government" law (FFPA law) withheld approximately \$11.5 million per month in PA tax revenues, beginning in March 2019 as a response to the PA's continued payments to prisoners and "martyrs" families. On November 20, the Netherlands announced it would cease paying \$1.6 million in direct budget support to the PA for Ministry of Justice salaries in 2020 because of the link between payment amounts to the duration of detention in the PA payment system to families of prisoners.

Section 7041(m)(3) of the FY 2018 SFOAA

Section 7041(m)(3) of the FY 2018 SFOAA provides that the Secretary shall reduce the amount of FY 2018 ESF assistance made available for the PA by an amount the Secretary determines is equivalent to the amount expended by the PA, the PLO, and any successor or affiliated organizations with such entities as payments for acts of terrorism by individuals who are imprisoned after being fairly tried and convicted for acts of terrorism and by individuals who died committing acts of terrorism during the previous calendar year. Section 7041(m)(3) also requires that the Secretary report to the Committees on Appropriations on the amount reduced for FY 2018. The Department of State produced a classified report with additional information

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on the amount the PA is believed to have transferred to such individuals during calendar year 2017.

No amount of FY 2018 ESF was withheld under this provision. At the request of the PA, the United States ceased providing any assistance in the West Bank and Gaza under the authorities specified in the Anti-Terrorism Clarification Act of 2018 (ATCA), to include ESF, as of January 31, 2019. As a result, no bilateral ESF funds were planned that directly benefited the PA and that would be subject to this withholding.

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